UNILEVER

1964

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Members of Unilever Limited will be held in the Queen's Room, Baltic Exchange Chambers, 14-20 St. Mary Axe, London EC3, on Wednesday, the 28th April, 1965, at 11 a.m., for the following purposes, namely:

1 To receive and consider the Accounts and Balance Sheet, and the Reports of the Directors and Auditors thereon.

2 To sanction the declaration of a dividend on the Ordinary Shares.

3 To elect Directors.

4 To fix the remuneration of the Auditors.

5 To transact any other ordinary business of the Company.

A Member of the Company entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a Member. The Transfer Books of the Company so far as they relate to the Ordinary Shares will be closed from the 23rd April to the 6th May, 1965, inclusive.

Dated the 6th day of April, 1965.

By order of the Board,

P. A. MACRORY *Secretary*

UNILEVER HOUSE, BLACKFRIARS, LONDON EC4

The Report and Accounts are circulated to Members and Debenture Stockholders of the Company, but holders of Debenture Stock only are not entitled to attend or vote at the above meeting.

Dates to Note

Dividend and Interest Payments

Ordinary dividends	Interim	Announced mid-November. Paid mid-December.
	Final	Proposed end of February. Paid mid-May.
Preference dividends	Paid 1st January and 1st July.	
Debenture interest	Paid 1st April and 1st October.	

Results

First quarter results	Announced mid-May.
First half-year results	Announced mid-August.
Nine months results	Announced mid-November.
Provisional results for the year	Announced end of February.

Unilever Limited

Report and Accounts 1964

Directors

GEORGE COLE *Chairman*
F. J. TEMPEL *Vice-Chairman*
E. G. WOODROOFE *Vice-Chairman*
COLIN BAXTER
J. P. VAN DEN BERGH
A. F. H. BLAAUW
A. D. BONHAM-CARTER
A. W. J. CARON
H. S. A. HARTOG
M. M. VAN HENGEL
A. J. C. HOSKYNS-ABRAHALL
RUDOLF G. JURGENS
G. D. A. KLIJNSTRA
J. F. KNIGHT
ANDREW M. KNOX
P. KUIN
D. J. MANN
J. F. VAN MOORSEL
F. J. PEDLER
R. H. SIDDONS
E. SMIT
A. H. SMITH
J. P. STUBBS
S. G. SWEETMAN

Advisory Directors

THE VISCOUNT LEVERHULME
SIR ROBERT HALL

Secretaries

P. A. MACRORY
E. A. HOFMAN

Auditors

COOPER BROTHERS & CO.
PRICE WATERHOUSE & CO.

Registered & Transfer Office

PORT SUNLIGHT, CHESHIRE

Salient figures

£ million	1964	1963
Turnover	2,145·7	1,941·4
of which Sales to third parties	1,688·5	1,534·8
Profit before taxation	124·0	118·7
Taxation for the year	58·0	60·0
Exceptional items	*·7*	*·2*
Consolidated net profit	62·7	55·9
Ordinary dividends—net	19·9	18·1
Profit retained in the business	38·7	33·8
Capital employed	774·2	722·1
Expenditure on fixed assets—gross	64·4	60·6
Depreciation	40·7	36·1
Ordinary dividends—gross		
LIMITED—per 5s. of capital	1s. 3d.	1s. 1½d.
N.V.—per Fl 20 of capital	Fl 4·18	Fl 3·78

Combined earnings per share are shown on page 44, where, for the convenience of foreign shareholders, the salient figures are also given in certain other currencies

The year in brief

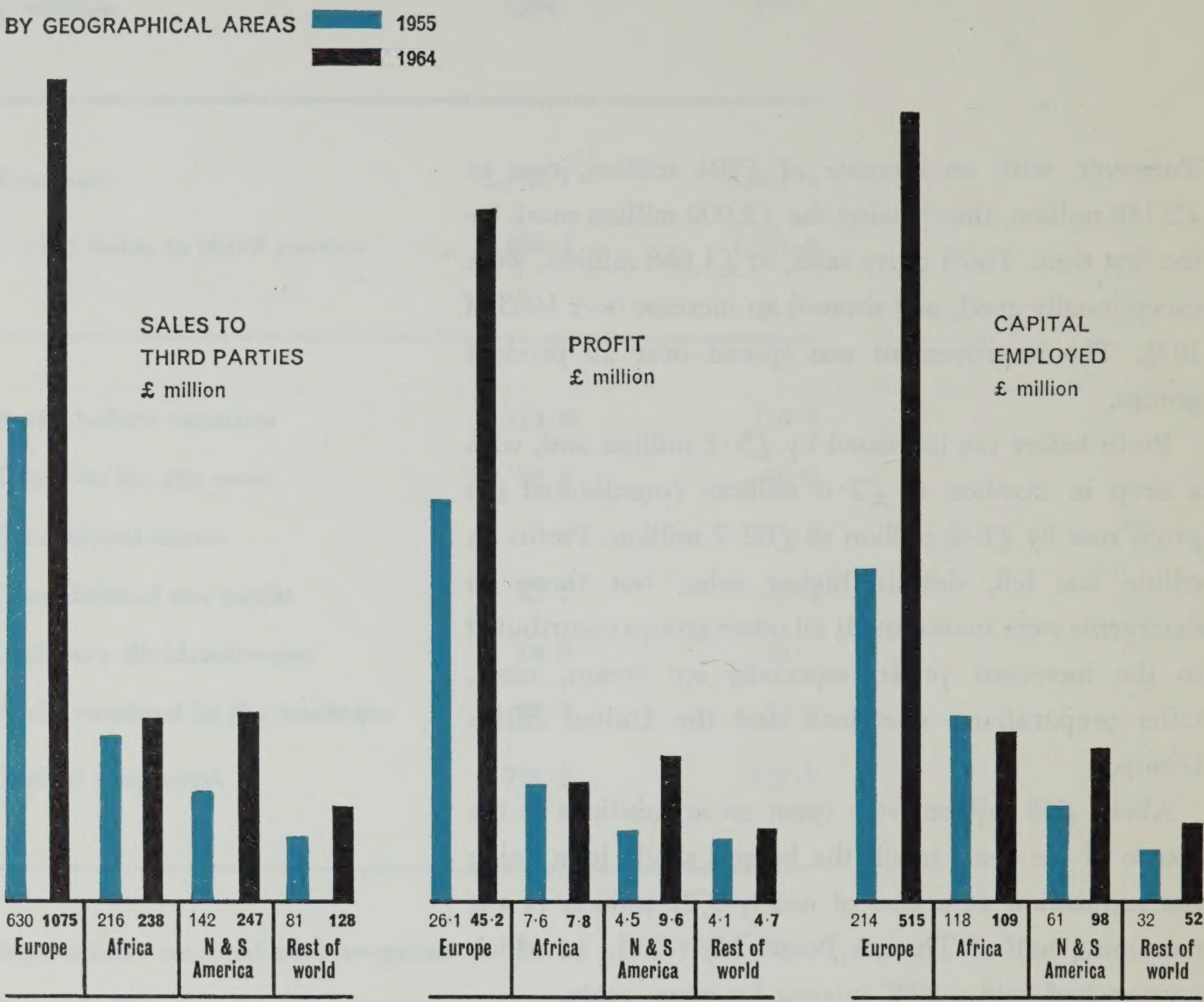
Turnover, with an increase of £204 million, rose to £2,146 million, thus passing the £2,000 million mark for the first time. Third party sales, at £1,688 million, were exceptionally good, and showed an increase over 1963 of 10%. The improvement was spread over all product groups.

Profit before tax increased by £5·3 million and, with a drop in taxation of £2·0 million, consolidated net profit rose by £6·8 million to £62·7 million. Profits on edible fats fell, despite higher sales, but those on detergents were maintained; all other groups contributed to the increased profit, especially ice cream, meat, toilet preparations, chemicals and the United Africa Group.

About £43 million were spent on acquisitions in the course of the year, much the biggest single item being the acquisition at a cost of nearly £22 million of the remaining half of Thames Board Mills Ltd., in which LIMITED had held a 50% interest for many years.

The Report and Accounts as usual combine the results and operations of Unilever Limited ('LIMITED') and Unilever N.V. ('N.V.'), with the sterling equivalents of the N.V. figures calculated at the official parity at 31st December, i.e. £1=Fl 10·136

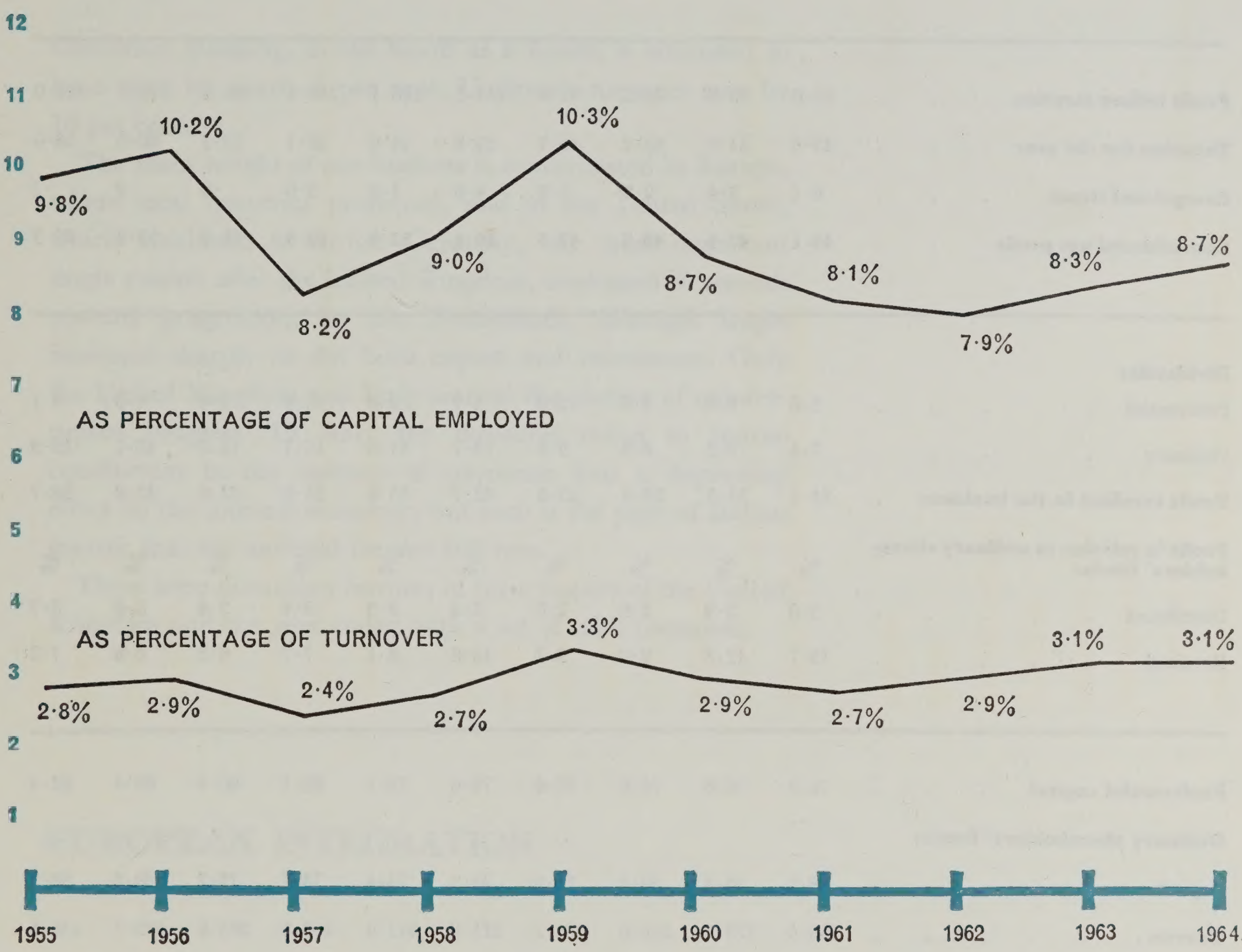
Sales to third parties, profit and capital employed



	SALES TO THIRD PARTIES		PROFIT		CAPITAL EMPLOYED	
	1955 %	**1964 %**	1955 %	**1964 %**	1955 %	**1964 %**
Europe	58·9	**63·6**	61·7	**67·2**	50·4	**66·5**
Africa	20·2	**14·1**	18·0	**11·5**	27·7	**14·1**
N. and S. America	13·3	**14·7**	10·6	**14·3**	14·4	**12·7**
Rest of the World	7·6	**7·6**	9·7	**7·0**	7·5	**6·7**

AFRICA *includes all our operations in that continent —namely the United Africa Group operations, the manufacturing businesses and the plantations interests*

Return on capital employed and on turnover



The charts on both pages are based on the profit, after taxation, but before loan interest

Summary of combined figures 1955-1964: £ million

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Turnover	**1,515·0**	**1,671·4**	**1,719·7**	**1,728·2**	**1,787·2**	**1,846·8**	**1,890·1**	**1,896·5**	**1,941·4**	**2,145·7**
of which **Sales to third parties**	**1,069·1**	**1,182·3**	**1,219·5**	**1,258·9**	**1,329·0**	**1,387·0**	**1,444·4**	**1,477·1**	**1,534·8**	**1,688·5**
Profit before taxation	85·0	98·8	85·3	92·6	114·2	106·1	103·1	106·6	118·7	124·0
Taxation for the year	43·9	51·9	45·2	46·1	55·8	53·6	52·1	53·3	60·0	58·0
Exceptional items	6·1	2·4	2·2	3·0	4·0	1·9	3·9	·8	*·2*	*·7*
Consolidated net profit	**45·1**	**47·1**	**40·3**	**47·3**	**60·1**	**52·0**	**52·9**	**51·8**	**55·9**	**62·7**
Dividends:										
Preferential	3·6	3·6	3·6	3·6	3·7	3·8	3·9	4·0	4·0	4·1
Ordinary	7·4	8·2	8·3	9·9	13·7	14·6	15·1	15·8	18·1	19·9
Profit retained in the business	34·1	35·3	28·4	33·8	42·7	33·6	33·9	32·0	33·8	38·7
Profit in relation to ordinary shareholders' funds:	%	%	%	%	%	%	%	%	%	%
Distributed	3·0	2·9	2·6	2·8	3·5	3·5	3·4	3·4	3·6	3·7
Retained	13·7	12·3	9·0	9·7	10·8	8·1	7·7	6·8	6·8	7·2
Preferential capital	76·6	76·6	76·6	76·6	76·6	78·1	80·1	80·4	80·4	82·4
Ordinary shareholders' funds:										
Capital	58·3	58·3	58·3	72·9	73·3	73·4	73·7	73·7	98·3	98·3
Reserves	190·6	228·2	258·6	275·3	321·8	342·9	369·3	395·6	399·7	436·5
Outside interest	23·1	24·6	24·2	24·0	24·3	24·6	24·2	24·7	25·9	22·2
Loan capital	46·7	45·4	43·4	39·1	39·1	37·8	38·6	56·2	53·3	67·9
Deferred liabilities:										
Future taxation	35·6	37·5	38·0	38·3	42·0	33·7	34·9	33·7	35·7	35·6
Unfunded retirement benefits	—	—	—	—	—	17·9	21·2	25·6	28·8	31·3
Capital employed	**430·9**	**470·6**	**499·1**	**526·2**	**577·1**	**608·4**	**642·0**	**689·9**	**722·1**	**774·2**

Review of 1964

THE BACKGROUND

Consumer spending, in the world as a whole, is estimated to have risen by nearly 8 per cent; Unilever's turnover rose by 10 per cent.

The main weight of our business is concentrated in Europe, where most countries prospered, and in the United States, which continued to thrive. Germany, our most important single market after the United Kingdom, continued its smooth upward progression. In the Netherlands, although wages increased sharply so did both export and investment. Only the United Kingdom and Italy marred the picture of uninterrupted progress. In Italy the measures taken to restore equilibrium in the balance of payments had a depressing effect on the internal economy; but such is the pace of Italian growth that the national income still rose.

There were disturbing features in the economy of the United Kingdom and the year ended with a set of crisis measures.

EUROPEAN INTEGRATION

A third of Unilever's business is transacted in the six countries of the European Economic Community. Necessarily, therefore, we continue to give a great deal of attention to studying and organising the changes that will be needed in our business if it is to operate under conditions of increasing integration even more effectively than it has hitherto operated in the six separate countries.

The E.E.C. policy in the field of oils and fats is of great importance to our business. A detailed draft of a regulation

giving effect to the principles which were agreed in 1963 has now been published. Except for the levy which we referred to in last year's Report, the draft contains certain attractive features for the margarine industry, such as the principle of free access to world raw material markets. A disturbing point is an anti-dumping clause which is couched in such general terms that it could be used for protectionist purposes.

Severe heart-searching was caused, particularly in the European Free Trade Association, by Britain's imposition of a temporary surcharge on imports last November. Meanwhile, a reduction in the rate from 15 per cent to 10 per cent has been announced. It is encouraging that, despite the difficulties, intra-EFTA tariffs on manufactures were again reduced—to 30 per cent of their original level—at the end of the year, thus keeping in step with the E.E.C.

THE DEVELOPING COUNTRIES

Although most of the developing countries have had another year of rising national incomes and many have been helped by rising prices for their exports, inflation or civil strife, or shortage of foreign exchange have brought their afflictions. Of countries important to our business, neither Nigeria, nor Ghana, nor Brazil, nor India has had a wholly happy year.

The Congolese Republic was racked by civil war and our interests have not escaped unscathed. We suffered substantial losses through looting and destruction of stocks, vehicles, houses and other fixed assets. In addition, there is the damage to our plantations through lack of maintenance. These losses more than offset the trading profits which, despite the disturbed conditions, showed an improvement over the previous year. Elsewhere in this Report we record a tribute to our staff in this unhappy country.

Government action in some of these countries has affected us severely. The businesses with which we were associated in Iraq have been nationalised, but much of our capital has already been repaid. In India we are suffering from high

taxation and price controls. In Ceylon a year's moratorium on the remittance of profits has been declared though there may be some relaxation of this policy in individual cases. In Burma we were virtually deprived of control of our business, and since the year-end our interests have been compulsorily taken over by the State. In Indonesia we face an uncertain future. In Ghana it became difficult towards the end of the year to obtain raw materials from abroad to keep the soap factory in full production. In several Latin American countries, especially Brazil, inflation has sharply reduced our profits.

TAXATION

Both the United Kingdom and the Netherlands are proposing to make changes in their systems of company taxation. The Dutch proposals are already before the Netherlands Parliament in detail, whereas, at the moment of writing, we can only forecast the nature and effect of the proposed British changes in the light of such advance information as the Government has given.

In the United Kingdom, under the present system, a company's profits are charged with:—

(*a*) Income tax at the standard rate (already announced as 41·25 per cent for 1965–6);

(*b*) profits tax, which is essentially a corporation tax, and of which the current rate is 15 per cent.

Dividends are received by the shareholder 'net', the tax paid by the company under (*a*) above being regarded, so far as the distributed portion of the profits is concerned, as having been borne by the shareholder.

In the Netherlands, on the other hand, as in most other Continental countries and the United States and Canada, the present system is that:—

(*a*) Corporation tax is first charged on the company's profits;

(*b*) the dividend is paid from profits after payment of corporation tax, and on this dividend the shareholder (if an individual resident in the same country) is liable for income tax notwithstanding that the profit from which

the dividend is paid has already borne tax (i.e. corporation tax).

In recent years there has been a tendency for many countries to mitigate this double taxation, whether by taxing distributed profits at a lower rate of corporation tax than undistributed profits, or otherwise. This is the direction in which the Netherlands are now moving, since they propose to apply differential rates of corporation tax, namely 45 per cent on retained profits and, with certain limitations, only 30 per cent on distributed profits.*

Meanwhile, the United Kingdom is moving in the opposite direction. Under the new system a company it seems is to pay a single corporation tax at a uniform rate on all its profits but, in addition, the shareholder will have a separate liability for income tax in respect of the dividend received by him. The company is to withhold income tax at the standard rate from the gross dividend and to pay this over to the Revenue on the shareholder's behalf. Thus, a company will in future have to charge the gross amount of its dividend to the available profits instead of the net amount.

Assuming corporation tax at 35 per cent (a figure that has been mentioned), this will mean that retained profits will be taxed at 35 per cent instead of 56·25 per cent (income tax 41·25 per cent, profits tax 15 per cent); but distributed profits will be taxed at 61·8 per cent (corporation tax at 35 per cent to be borne by the company and income tax at 41·25 per cent on the remaining 65 per cent to be borne by the shareholder).

The United Kingdom Government has however stated that this tax reform is not intended to increase the weight of taxation on companies' profits as a whole. The proposals are intended to redistribute the burden of tax, reducing the weight of tax on retained profits and increasing it upon distributed profits. LIMITED has in the past retained a proportion of its profits considerably higher than the average and might therefore have been expected to benefit considerably from the change. This, however, is not so. On the 1964 profits, assuming a corporation tax rate of 35 per cent and approval of the proposed final dividend, the advantage of the lower tax charge on profits (35 per cent instead of 56·25 per cent) is almost entirely offset by the disadvantage of the higher amount required to pay the

*Profits of foreign subsidiaries are not charged with Dutch corporation tax.

dividends (preference as well as ordinary) gross instead of net.

Two factors in particular bring about this situation.

First, under the present system overseas tax on dividends received in the United Kingdom from overseas subsidiaries has been allowed as a credit against the 56·25 per cent United Kingdom income and profits taxes payable on these dividends. Although this will still be the case with the new 35 per cent corporation tax, there has been no indication that where the rate of the overseas tax exceeds this 35 per cent any relief is to be given from the United Kingdom income tax.

If no such relief is given the effect will be serious, although it must of course be remembered that the dividends from many of our subsidiaries flow to N.V. and are therefore not affected by British taxation.

Secondly, the value of investment allowances on new capital expenditure will be very much less if relief is given only against corporation tax of, say, 35 per cent instead of, as hitherto, against income tax and profits tax (56·25 per cent).

Strong representations have been made to the Government from many quarters in respect of both these problems.

The consequences that the United Kingdom proposals might have for shareholders resident outside the United Kingdom are still obscure. Presumably the United Kingdom's tax conventions with other countries will be modified and it may be worth noting that the model convention recommended by the Council of the Organisation for Economic Co-operation and Development permits a maximum tax of 15 per cent on dividends paid to non-resident shareholders, with a deduction of this 15 per cent from the income tax in the shareholder's own country.

The Netherlands are proposing to increase from 15 per cent to 25 per cent the dividend tax which Dutch companies are required to deduct and hand over to the Revenue upon distribution of dividends. Under existing conventions exemption from the present dividend tax of 15 per cent is granted to the residents of a number of other countries. The Dutch Government has announced that it will re-examine these tax conventions and that it will be willing to reduce the proposed rate from 25 per cent to 15 per cent for non-resident shareholders whose countries are prepared to make equivalent concessions.

ANALYSIS OF TURNOVER

			£ million			
	1955	%	1963	%	**1964**	%
Margarine and other edible fats	273·0	18	321·0	17	**348·4**	**16**
Other foods	138·0	9	332·8	17	**376·3**	**18**
Detergents	230·3	15	368·9	19	**399·4**	**19**
Oils and fats mainly for use within the organisation	353·8	23	336·5	17	**375·6**	**18**
Toilet preparations	22·7	2	46·5	2	**47·4**	**2**
Animal feeding stuffs	131·6	9	182·3	9	**194·5**	**9**
Printing, Packaging, Plastics, Chemicals and other industrial interests	74·7	5	115·8	6	**152·2**	**7**
Tropical produce	107·0	7	31·5	2	**34·2**	**1**
Merchandise	166·7	11	176·1	9	**185·7**	**9**
Services including transport	17·2	1	30·0	2	**32·0**	**1**
	1,515·0	100	1,941·4	100	**2,145·7**	**100**
Represented by:						
Sales to third parties	1,069·1		1,534·8		**1,688·5**	
Supplies of marketable products and services within the organisation and value of produce purchased for the Commonwealth West African Marketing Boards	445·9		406·6		**457·2**	
	1,515·0		1,941·4		**2,145·7**	

Supplies of marketable products—for use as raw materials—and services by one industry to other industries within the organisation are included to provide a proper ratio of turnover to capital employed and profits earned

This year the grouping of some products has been modified. For instance, edible oils, as far as they are not used as raw materials for the production of margarine and edible fats, have now been included in 'Margarine and other edible fats' instead of mainly under 'Oils and fats' as was largely done hitherto. The figures for 1955 and 1963 have been similarly adjusted.

MARGARINE AND OTHER EDIBLE FATS

World sales were better than in 1963 both in volume and in value but profits fell because raw material prices rose steadily during the year, and at the end were 19 per cent higher than at the beginning. Meanwhile selling prices lagged behind.

In Western Europe there is an increasing demand for better quality margarines, and to meet this we are successfully developing our premium brands. Sales of Rama in the Netherlands, Planta in Belgium, Flora in Germany, Blue Band and Summer County in the United Kingdom and similar products in other European markets have made marked progress. Sales of our standard brands have, however, risen only slightly. Our position with the bakery trade in several countries has improved.

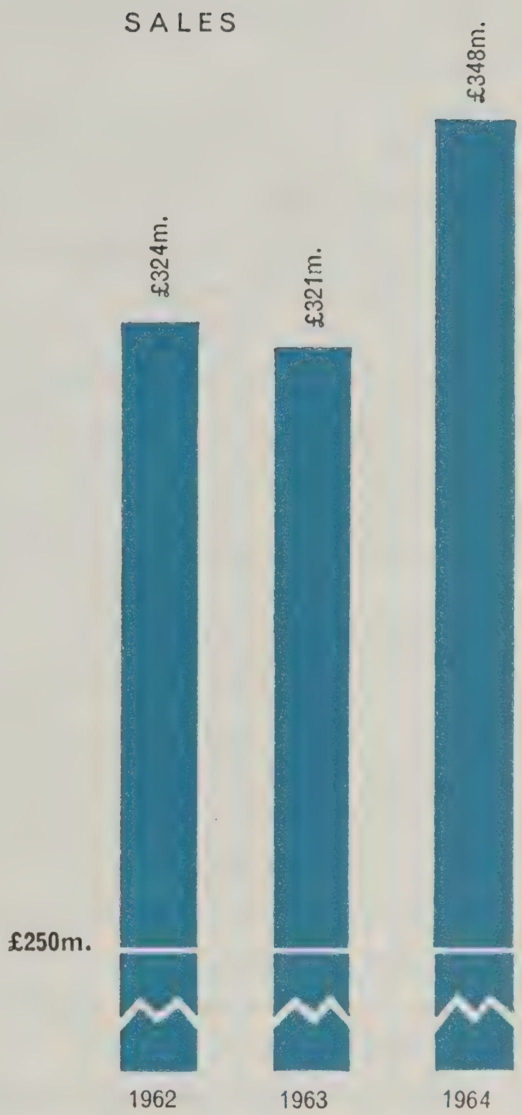
In that most challenging of markets, the United States, Lever Brothers Company did better than in 1963, though turnover was slightly down and they have still not got back to their previous position in the margarine business.

We had another excellent year in Turkey.

Our joint venture with a Japanese company, mentioned last year, hopes to be in production later this year.

Sales of cooking fats increased, and our position in cooking and salad oils in Germany, Switzerland and the Philippines has been strengthened.

In the report for 1960 we noted that a judicial investigation had been begun in the Netherlands to examine allegations that Planta margarine, to which a new ingredient had been added, had been responsible for a widespread outbreak of a skin disorder. Subsequently the Public Prosecutor in Rotterdam instituted criminal proceedings against our Dutch Company, Van den Bergh en Jurgens N.V. In June, 1964, the High Court of the Netherlands finally confirmed that there was no case to answer and that all proceedings should be stayed.



OTHER FOODS

For ice cream, one of our most important food products, it was a very good year. For this we must partly thank an admirable summer in most of Europe, but credit is also due to our companies' initiative in introducing new varieties. Results were improved in nearly all countries; our French ice cream interests, where losses have been continuous, were sold on satisfactory terms.

For frozen foods our main market is still the United Kingdom where Birds Eye, despite intensified competition, strengthened an already strong position. In other countries of Western Europe, particularly in Germany and Austria, our businesses are continuing to develop.

There were improved sales and profits from Wall's meat business in the United Kingdom, where there has been some success with the newer products. In the Netherlands pig prices were high and supplies available for the meat industry were inadequate. This adversely affected our meat businesses and particularly their exports to the United States. In the Netherlands and Germany we are expanding our sales of meat products under the Unox brand.

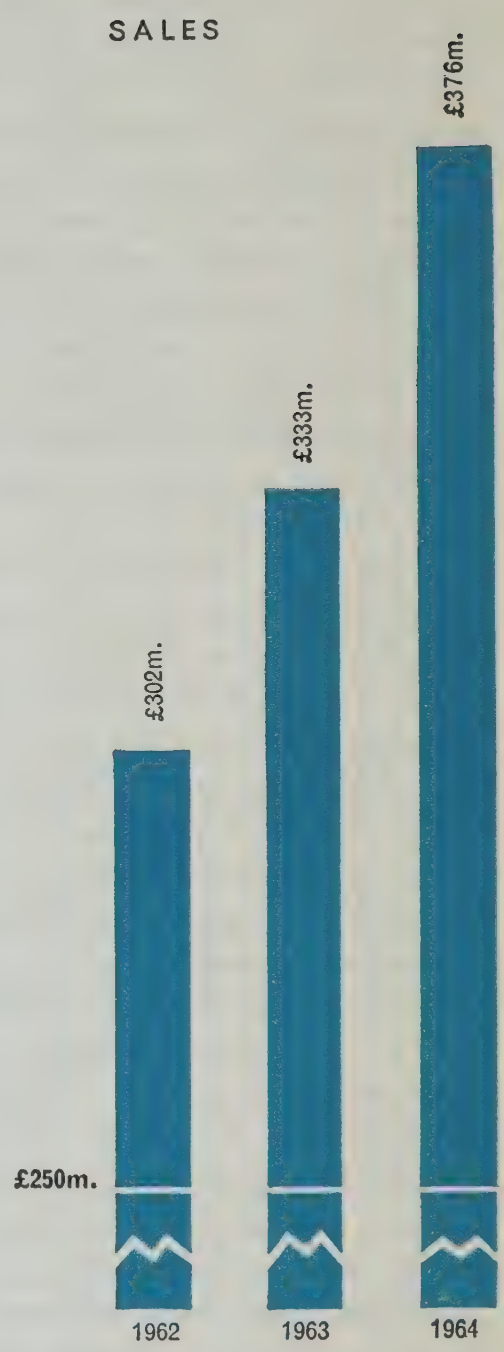
The sales of dried soups increased. They did well in the United Kingdom and even better in the United States. On the Continent they maintained their market share but high prices for some ingredients affected profitability.

In Continental Europe, our canned soup businesses are well established in the Benelux countries and we are making progress in Western Germany.

The Rosella business in Australia is facing an intensely competitive situation.

Of our other food interests, packaged tea in North America had a satisfactory year, and Lipton's continue to make progress in the growing and highly competitive instant tea market. Our cheeses sold well in Germany and Italy and have been introduced into some other countries. John West Foods in the United Kingdom has had a good year and has extended the range of its business.

In the United Kingdom, Vesta dehydrated prepared meals,



which use ingredients dried by a variety of special processes including freeze-drying and were introduced in the United Kingdom in 1961, have considerably increased their sales. 'Surprise' dried vegetables are now firmly established in the United Kingdom and New Zealand. In a more conventional field a new venture, fruit squashes, met with an encouraging public acceptance in the United Kingdom where they are marketed as 'Tree Top' and in Denmark, where the brand name is 'Blå Bånd'. Sales of a carbonated drink, marketed in Sweden for the first time on a national scale in 1964, developed well.

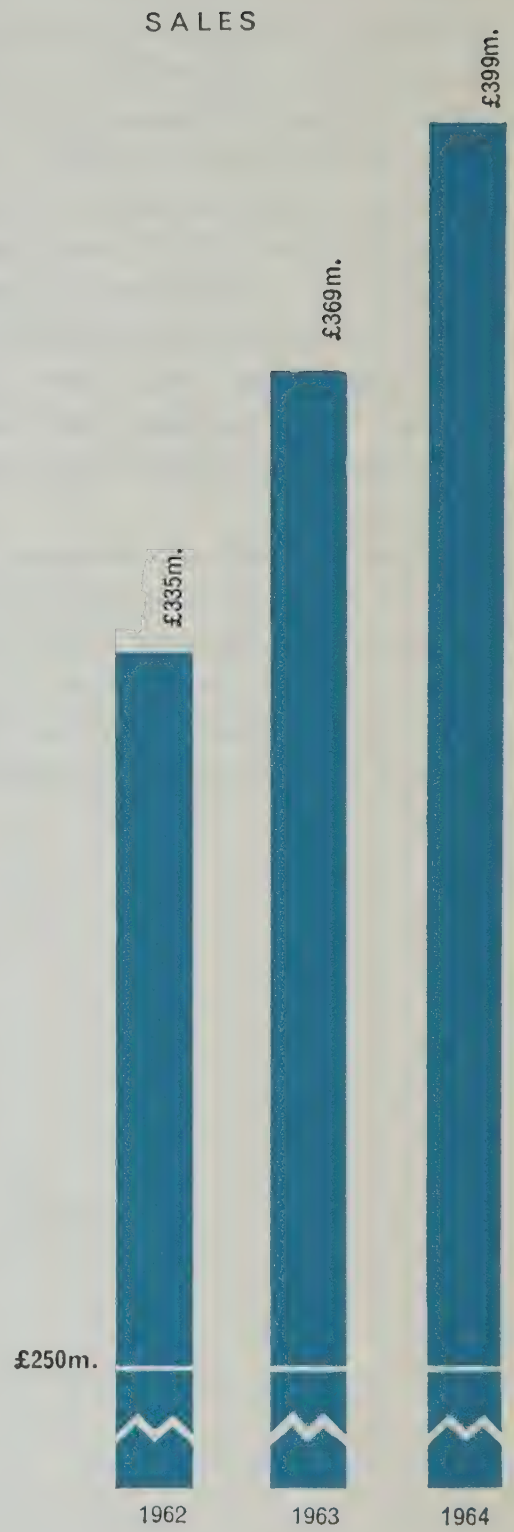
Mac Fisheries in the United Kingdom have continued to modernise their retailing methods. Another thirty-one of their small conventional shops were shut, and they opened a further fifteen shops selling a much wider range of perishables than in the past. By our purchase of the Premier Supermarket chain, Mac Fisheries have considerably expanded the number of their food centres.

In Germany Nordsee is continuing to modernise its trawling fleet and its fish processing operations. It now has five stern-catching trawlers equipped to fillet and freeze fish at sea. These ships have been so successful that four more have been ordered. The company is opening more large fish shops and fish restaurants, and is closing some of its smaller shops.

DETERGENTS

World detergents markets are growing as standards of living improve. Today's consumers, however, particularly in the more sophisticated countries, demand constant improvements in the efficiency of the products they use for the cleaning of modern fabrics and household surfaces. Competition becomes even more strenuous in nearly all detergent product fields. One sees, therefore, not only an increase in the frequency with which improvements in product quality are developed but an increase in the speed with which the improvements are exploited.

Of the major detergents our companies market in Europe over a third are new products that have been introduced since 1960, while three-quarters of the remainder have undergone major reformulation in the past five years. Thus the steady rise in our expenditure on research, whether it be aimed at new products to meet new needs, or at the improvement of established favourites, has proved well worth while.



Our sales were considerably up both in tonnage and in value. In many countries the position of some of our main washing powders has strengthened, particularly Omo in the United Kingdom, Netherlands, France and Australia; Persil in the United Kingdom and France; Skip, a low-sudsing product for use in washing machines, in Western Europe; and Breeze in tropical markets, for whose requirements it was developed. There has also been a considerable increase in sales of a cold water washing liquid sold under the 'all' name in the United States. In the Netherlands we acquired the Fenix company, which manufactures liquid detergents and bleaches among other products.

The ability to follow up success speedily in every relevant market is no less important than the ability to improve one's products. We have quickened our pace considerably. As one example, our deodorant toilet soap, Rexona, which had been established for some time in a small number of Continental markets, has, in the last eighteen months, been successfully introduced into a further fifteen countries and a number of export markets.

Our established toilet soap brands have made good progress, particularly Lux, Lifebuoy Toilet and, in the United States,

Dove. The traditional hard soaps are slowly declining in sophisticated countries, but we continue to improve our position in those countries where the use of hard soap is still increasing; Lifebuoy for instance has done very well in India, Pakistan and South Africa.

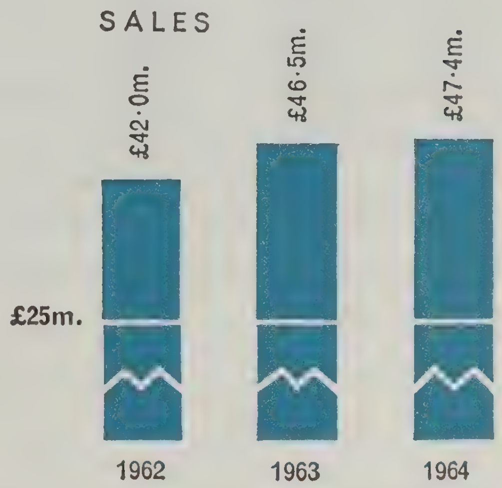
Our scourer, Vim, made useful gains in the United Kingdom, the Netherlands, Italy, Spain and elsewhere.

As mentioned last year, in the United Kingdom the supply of household detergents is under investigation by the Monopolies Commission. The inquiry must go through several further stages before the Commission will be in a position to prepare its report.

TOILET PREPARATIONS

Sales were up, and profits well up, on those for 1963. Apart from the United States, results have been generally good, particularly in the United Kingdom and in some of the countries of Africa and Latin America. In France and Germany we have achieved in recent years a striking increase in our share of the toothpaste market.

We have continued to diversify by spreading existing lines to new markets and, in addition, we have introduced more varieties of shampoo in many countries.



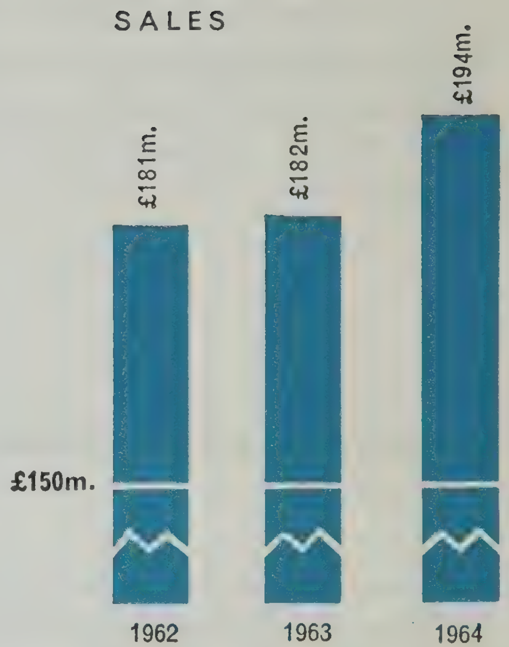
ANIMAL FEEDING STUFFS

In the United Kingdom competition has become more intense, especially from the country compounders, and we now deal with many more producers' groups and with companies who farm on an industrial scale.

Our businesses in the United Kingdom are adapting themselves to the changing pattern of farming. Five agricultural merchant businesses were acquired in 1964, together with minority interests in broiler growing and packing firms. Sales of poultry feed in 1964 were slightly above those of 1963 and, despite the mild winter weather of 1963/64 and the drop in the number of dairy cows, total tonnages and profits were much the same as in the previous year.

During the year we have begun research on trout feeds, and we made an agreement with a Norwegian firm to try a new method they have developed for the farming of sea trout.

In the Netherlands we have increased our sales of pig feed, chiefly as a result of the large expansion in pig population in 1964, and this nearly offset our smaller sales of cattle feed. A single selling company has been set up to handle the sales of animal feeding stuffs produced by our Calvé-Delft and Twijnstra businesses. In France sales and profits were still disappointing.



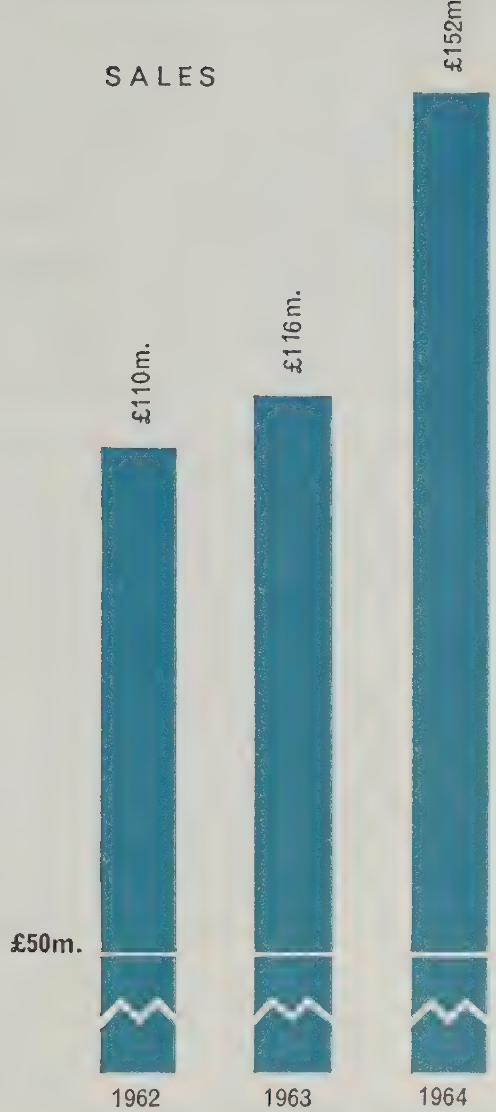
OTHER INDUSTRIAL INTERESTS

Printing, Packaging and Plastics

The major event of 1964 was the acquisition, in the United Kingdom, for £22 million, of the half of Thames Board Mills we did not previously own. As reported last year we acquired a 50 per cent interest in Commercial Plastics Industries, a leading British manufacturer of vinyl film and sheeting, including Fablon, and of polythene products. This company is building a substantial export trade to the Netherlands, Belgium,

France and other countries; at Boekelo in the Netherlands a factory for the production of vinyl film is under construction. We also bought a printing works, Koch en Knuttel, in the Netherlands. In Germany we have brought new capacity into operation in our factories for the production of paper, paper tubs and plastic bottles, and in our printing works. In France a printing works is now under construction, and the results of our printing works built three years ago in Austria are encouraging. Our new printing works in Australia has started production. We have begun the manufacture of cartons in Nigeria.

Sales and profits of this section of our business were higher than in 1963.



Chemicals

The United Kingdom chemical businesses had a successful year, with both turnover and profit well up.

Proprietary Perfumes opened a new factory in Kent and an interest has been acquired in a French perfumery business, Bertrand Frères, in order to obtain a stake in natural ingredients for perfumes and flavourings. In flavourings Advita's third party sales were up, and we bought The Birmingham Chemical Company, which also manufactures these.

The traditional businesses, silicates and oleo-chemicals, had a satisfactory year. In adhesives we bought Wilme Collier and Kirkwood Craig and concentrated adhesive manufacture at Silvertown. Another acquisition during the year was Charles Lowe and Company, who manufacture synthetic resins and tar distillates.

Despite a sharp rise in raw material prices, Unilever-Emery in the Netherlands had a satisfactory year. Their specialised chemicals made a substantial contribution.

THE UNITED AFRICA GROUP

In 1964, the turnover of the United Africa Group was about 6 per cent higher than in the previous year, and profits were substantially higher. The expansion in sales occurred mainly in French-speaking Africa, including the Congolese (Leopoldville) Republic; in Commonwealth Africa a number of companies, mainly those which handle technical equipment, achieved a greater volume of business.

Textiles, still the largest single component of the United Africa Group business, had a profitable year. The textile printing factory in Nigeria mentioned in last year's report is scheduled to go into production in the second half of 1965. It was agreed that the Ghana Government would buy a 49 per cent interest in the Lever Brothers Ghana Ltd. soap factory at Tema, and the Anglo-Dutch African Textile Investigation Group (Adatig), in which we have an interest, similarly acquired the right to take up a 49 per cent interest in a company, Ghana Textile Printing Company Ltd., which belonged to the Ghana Government. In the Ivory Coast, the textiles printing factory in which the Group has a shareholding came into operation in April.

The breweries in which the Group has an interest had another profitable year. In Nigeria, our Bordpak business, which manufactures outer cartons, and the Kwara Tobacco Company, both started production. The motors businesses had a more profitable year. The timber ventures in both Ghana and Nigeria did well and production was maintained at a high level; the overseas markets for logs, lumber and plywood were good. Lever's Pacific Timbers have started production in the Solomon Islands. There was a considerable improvement in the results of the Kingsway department stores, but those of our Chemists business were slightly less favourable.

From a geographical point of view, the Group made satisfactory profits in most of the French-speaking African countries, and those in Nigeria and East Africa showed an improvement over 1963. In Ghana it was a difficult year. In the Congolese Republic, as mentioned earlier, the losses incurred in the disturbances more than offset the profits of our trading companies.

PLANTATIONS

This year has been beset with political troubles.

In the Congolese Republic, in the south west, we had to abandon two oil mills and a cattle ranch at the beginning of the year, and in August we had to leave many of our properties in the north east. These included six oil mills, a rubber factory and a cocoa processing plant and the only one to which we have so far been able to return is the plantation at Alberta. The properties from which we are at present excluded represent about half of our normal production in the Congolese Republic.

In Nigeria and Malaysia we were affected by labour troubles, in neither instance of our own making. In Nigeria our employees joined in a general strike; in Malaysia we were chosen by the workers' union as a test case for a trial of strength with the employers, which resulted in a strike that lasted 143 days. Negotiations, begun before the strike, for a national agreement in the oil palm plantation industry, have now been resumed.

As might be expected, with all these difficulties, production was down on 1963, as appears from the following table of production of the main crops for the last three years:—

	Tons		
	1962	1963	1964
Palm Oil	69,400	76,800	61,000
Palm Kernels	28,300	28,500	22,500
Rubber	10,100	10,600	9,300
Copra	5,500	5,700	5,900

EXPORTS

Many of our companies all over the world produce goods not only for their national markets but also for export. Traditionally the exports from the United Kingdom and from the Netherlands are the most important. The exports from these countries, including United Africa Group merchandise, were:

	£ million		
	1962	**1963**	**1964**
United Kingdom	47·2	49·1	44·1
Netherlands	36·1	40·4	43·7

The main reasons for the fall in exports from the United Kingdom were that import restrictions overseas affected the United Africa Group exports of merchandise and that we sold less oils and fats. On the other hand, we increased our sales of chemicals and foods, and maintained our sales of detergents and toilet preparations.

Exports from the Netherlands increased. We sold more edible fats and detergents. The export of meat products to the United States, where our hams could not compete in price, declined, but this was offset by an increase of meat exports to the United Kingdom.

RESEARCH

Many of the successes detailed elsewhere in this report would have been impossible without the discoveries and developments of our Research departments. We are increasing our research facilities in the United Kingdom, the Netherlands, Germany and India, and we recognise that for the continued health of the business still further expansion will be necessary.

FINANCE

SOURCE AND USE OF FUNDS

Figures in italics represent reductions

	£ million				
	1960	**1961**	**1962**	**1963**	**1964**
Cash Resources—1st January					
(Cash and bank balances and marketable and short-term securities less bank advances)	81·2	54·6	41·5	87·6	91·1
Summary of Movements					
Source of Funds					
Profits re-invested in the business	33·6	33·9	32·0	33·8	38·7
Depreciation charged against profit	27·3	30·5	33·7	36·1	40·7
Proceeds of disposals of fixed assets	4·5	4·1	4·8	5·0	7·4
Proceeds of capital issues less preferential capital retired .	3·0	3·1	·8	—	*4·2*
Loan capital movement	*1·3*	·9	17·6	*2·9*	14·6
	67·1	72·5	88·9	72·0	97·2
Use of Funds					
Expenditure on fixed assets (gross)	*55·1*	*58·7*	*55·8*	*60·6*	*64·4*
Subsidiaries acquired	*17·9*	*12·7*	*4·3*	*10·6*	*34·2*
Subscriptions to trade investments	*1·3*	*·7*	*5·7*	*1·6*	*8·8*
	74·3	*72·1*	*65·8*	*72·8*	*107·4*
Other Movements in Funds					
Working capital other than cash *increase*/decrease . .	*23·7*	*16·0*	26·2	*1·6*	*35·2*
Others	4·3	2·5	*3·2*	5·9	13·0
	19·4	*13·5*	23·0	4·3	*22·2*
INCREASE/*DECREASE* of cash resources . . .	*26·6*	*13·1*	46·1	3·5	*32·4*
Cash Resources—31st December	54·6	41·5	87·6	91·1	58·7

Capital expenditure continued to increase in 1964 and cash payments on acquisitions were heavy. The latter include the investments in Thames Board Mills Ltd., the Premier Supermarket chain of shops, Commercial Plastics Industries Ltd. and Bertrand Frères, referred to in the appropriate paragraphs of the Report. The payments made on cancellation of the preferential capital of Joseph Crosfield & Sons, Ltd., William Gossage and Sons, Ltd. and John Knight, Ltd. amounted to £6·6 million. Since the end of the year a scheme of arrangement has also been announced for the cancellation of the preferential capitals of the remaining two United Kingdom subsidiaries, The British Oil and Cake Mills Ltd. and Van den Berghs and Jurgens Ltd., whose preferential capitals are held by the public.

Largely due to higher raw material prices working capital absorbed another £35 million.

During the year one of our companies in Germany arranged medium-term loans at rates of interest around $5\frac{3}{8}\%$ per annum amounting to the equivalent of £15·1 million. Since the end of the year, £14 million $6\frac{3}{4}\%$ Debenture Stock 1985/88 of LIMITED has been placed at £98 10s. per cent.

In spite of a level of retained profits higher than in recent years, our cash resources fell by about £32 million. These resources, which are mainly located in the United Kingdom, the Netherlands and the United States, at their year-end level of £59 million are expected to be adequate for our normal requirements.

CAPITAL PROJECTS

Among major projects completed in 1964 were:—

United Kingdom:	New compound mill at Bankfield, Liverpool.
Germany:	Two new trawlers for Nordsee.
United States:	Instant tea plant at Independence, Missouri.
Australia:	New printing and packaging works, Sydney.
Malaysia:	Oil palm mill at Kluang Estate, Johore.
Nigeria:	Cotton spinning mill at Kaduna.
Pakistan:	Soap factory at Chittagong.
Tchad:	Brewery at Moundou.

Expenditure of £63·7 million was approved in 1964; the more important items are listed under the headings below:—

	£000's
MARGARINE AND OTHER EDIBLE FATS:	6,034
Production facilities and modernisation of factories in the United Kingdom, United States and Turkey	
OTHER FOODS:	13,955
New shops and improvements to existing shops in the United Kingdom	
Extension of manufacturing, storage and distribution facilities for ice cream and quick-frozen foods in the United Kingdom, United States, Australia, Germany and Austria	
Expansion of meat production facilities at Gieten, Netherlands	
New trawlers for Nordsee in Germany	
DETERGENTS:	13,240
New factories at Casalpusterlengo, Milan, Italy, and at Piraeus, Greece	
Production facilities in the United Kingdom, United States, India, Australia, France, Spain and Denmark	
ANIMAL FEEDING STUFFS:	3,490
Extension of facilities in the United Kingdom and the Netherlands	
PRINTING, PACKAGING, PLASTICS, CHEMICALS AND OTHER INDUSTRIAL INTERESTS:	12,813
New printing machines in the United Kingdom and Germany	
Integrated pulp and board mill at Workington, England	
Production facilities for plastic containers and paper tubs in the United Kingdom and Germany	
Production facilities for chemicals at Bromborough and Silvertown, England, and at Gouda in the Netherlands (Unilever-Emery)	
Two floating seed elevators in Germany	
UNITED AFRICA GROUP:	3,207
Textile printers in Nigeria—factory and machinery	
Matchets factory in Nigeria	
Barges	
PLANTATIONS:	3,470
Extension of oil palm estate from 6,000 to 15,000 acres at Tungud, Sabah	
GENERAL:	
Motor vehicles (less sales of old vehicles)	5,127
Additional research facilities in the United Kingdom, Netherlands and Germany	1,503
Housing and welfare facilities for employees	909
	63,748

The geographical pattern of the expenditure approved was as follows:—

	£ million	%
Europe	44·2	69·4
Africa	6·1	9·6
North and South America	5·8	9·1
Rest of the World	7·6	11·9
	63·7	100·0

PERSONNEL

In shaping law and practice in employee relations, governments, unions and employers, especially in developing countries, watch both what is going on beyond their own borders and the recommendations of international bodies. During 1964 they have taken noticeably more interest in exchanging ideas in this way.

In Unilever our personnel policy for management is co-ordinated centrally, but in dealing with our other staff we are in a field which is particularly affected by national differences in law and custom. Factory, clerical and sales staff, therefore, are mainly the concern of national managements and individual companies, but they are advised and informed from the centre on international developments of the kind referred to above.

We have had no serious labour troubles during the year except in Nigeria and Malaysia (see Plantations, page 23).

In the Netherlands a property has been acquired for use as a staff training college; it will also be used as a holiday centre for children of employees.

Unilever's pension contributions and other payments for employees' retirement and death benefits amounted in 1964 to £23·5 million. The assets of the Unilever pension and provident funds increased from £191 million to £213 million.

We wish to put on record our thanks to all our staff for their loyalty and hard work, particularly those who have shown great devotion to duty while working in difficult and sometimes dangerous conditions in the more disturbed parts of the world.

We have been greatly distressed by the suffering of our staff in the Congo and deeply regret to report that over 100 of our Congolese employees lost their lives, including two of our managers, Mr. Fernand Kapita and Mr. Albert Losonia, both of whom had graduated from the Company's Agricultural College at Yaseke and had risen to positions of responsibility.

CAPITAL AND MEMBERSHIP

There was no change in the capital of LIMITED in 1964.

N.V. issued Fl 21,136,000 6% cumulative preference capital in connection with the acquisition of the share capital of Zeepfabriek 'De Fenix' N.V. of Zwolle, in the Netherlands, and the entire share capital of a company in which Fenix had an interest.

At 31st December, 1964, LIMITED had 65,366 ordinary shareholders and 128,436 preference stockholders, a total membership of 193,802. So much of N.V.'s capital is held in the form of bearer scrip that the number of its members cannot be ascertained.

ANALYSIS OF SHAREHOLDINGS

The following tables show how the ordinary capital of LIMITED was held in October, 1964, and the grouping, according to size, of individual holdings.

A comparison with the analysis published in our 1961 Report (which is complicated by the 1 for 3 scrip issue that was made in 1963) shows that:

(i) the number of corporate holders has increased from 3,107 to 5,032 and their holdings from 39% to 45%;

(ii) the number of individual holders has increased from 46,392 to 57,830 but their holdings have shrunk from 42% to 36%. The biggest increase in number is in holdings of £1 to £100 and there is a marked tendency for the average holdings to become smaller.

Shareholdings

	NUMBER OF HOLDERS	AMOUNT OF HOLDING	
		£	%
Banks and Discount Companies	1,046	1,008,649	2
Financial Trusts	85	306,435	1
Insurance Companies . .	435	5,541,719	12
Investment Trusts . . .	326	1,460,207	3½
Pension Funds . . .	155	1,382,345	3
Nominee Companies . .	1,877	8,810,660	19½
Other Corporate Holders . .	1,108	1,719,374	4
	5,032	20,229,389	45
Leverhulme Trust . . .	1	8,450,824	19
Individuals	57,830	16,256,925	36
	62,863	44,937,138	100

Individuals

HOLDINGS OF		NUMBER OF HOLDERS	AMOUNT OF HOLDING	AVERAGE HOLDING
£	£		£	£
1 —	100	22,494	1,168,863	52
101 —	250	16,420	2,718,755	166
251 —	500	11,291	3,915,036	347
501 —	1,000	5,481	3,832,251	699
1,001 —	5,000	2,077	3,159,533	1,521
5,001 —	10,000	41	253,166	6,174
10,001 —	25,000	19	247,647	13,034
25,001 —	50,000	2	58,141	29,070
over	50,000	5	903,533	180,706
		57,830	16,256,925	

DIVIDENDS

The proposed appropriations of the profits of the Parent Companies are shown in the consolidated Profit and Loss Accounts on page 32.

The interim dividends on the ordinary capitals for 1964, and the final dividends now recommended by the Directors are as follows:—

	LIMITED		N.V.	
	1964	**1963**	**1964**	**1963**
Interim	**5½d.**	4·815d.*	**Fl 1·53**	Fl 1·35*
Final	**9½d.**	8·685d.	**Fl 2·65**	Fl 2·43
Total	**1s. 3d.**	1s. 1½d.	**Fl 4·18**	Fl 3·78

*On equivalent basis

In the case of LIMITED, dividends are actual per 5s. ordinary share, before deducting income tax, in the case of N.V. actual per Fl 20 of ordinary capital. The dividends are equivalent in value under the terms of the Equalisation Agreement.

The final dividend will be paid to the shareholders of LIMITED registered in the books of the company at the close of business on the 22nd April, 1965, and will be paid on the ordinary shares of both companies on the 11th May, 1965, except that the dividends on the American Depositary Receipts representing ordinary capital of LIMITED and on the New York Shares of N.V. will be paid on the 2nd June, 1965.

It is proposed to set aside £3,987,000 (LIMITED £3,000,000, N.V. £987,000) to reserve for replacement of fixed assets (on behalf of subsidiaries). After payment of the ordinary dividends for 1964, an amount of £34,698,000 remains to be added to the profits retained in the business.

DIRECTORS

Mr. J. P. Van den Bergh has expressed the wish to retire from the Boards of LIMITED and N.V. at the end of the present month. Mr. Van den Bergh joined Van den Berghs in 1927 and was elected to the parent Boards ten years later. His colleagues take this opportunity to pay tribute to Mr. Van den Bergh's many years of outstanding service to Unilever, to which he has devoted the whole of his working life to date, except for a period of secondment to the United Kingdom Ministry of Food during the last war.

At the Annual General Meetings in 1964 Dr. E. Smit was elected to the Boards of both companies.

In accordance with Article 90 of the Articles of Association, all the Directors (other than Mr. Van den Bergh) retire at the Annual General Meeting and offer themselves for re-election.

It was announced in the United Kingdom New Year Honours List at the start of this year that Her Majesty the Queen would be graciously pleased to confer a Life Peerage upon Mr. George Cole, Chairman of LIMITED, and a Vice-Chairman of N.V. Mr. Cole's title will shortly be gazetted; meanwhile his colleagues take this opportunity of recording the great pleasure which this honour has given to everyone in Unilever.

AUDITORS

The auditors, Cooper Brothers & Co. and Price Waterhouse & Co., will continue in office in accordance with Section 159 (2) of the Companies Act, 1948.

By order of the Board,

P. A. MACRORY

16th March, 1965 — *Secretary*

UNILEVER N.V.

The Report and Accounts of N.V., which are written in the Dutch language with the figures expressed in florins, contain the same information as this document. English, French and German translations of the Dutch version, with the figures remaining in florins, are also published.

STATEMENT A

Consolidated Profit & Loss Accounts

UNILEVER LIMITED AND UNILEVER N.V. AND THEIR SUBSIDIARIES

£000's *figures in italics represent deductions*

1963 N.V.	1963 LIMITED	1963 COMBINED			1964 COMBINED	1964 LIMITED	1964 N.V.
798,434	736,346	**1,534,780**	I	**Sales to Third Parties**	**1,688,497**	809,698	878,799
735,647	*684,326*	***1,419,973***	II	Costs	***1,568,140***	*755,106*	*813,034*
62,787	52,020	**114,807**	III	**Operating profit**	**120,357**	54,592	65,765
921	2,896	**3,817**	IV	Income from trade investments	**3,776**	2,942	834
749	1,700	**2,449**	V	Income from marketable and short-term securities and other interest	**2,314**	2,073	241
1,492	*862*	***2,354***	VI	Interest on loan capital	***2,447***	*901*	*1,546*
62,965	55,754	**118,719**	VII	**Profit before Taxation**	**124,000**	58,706	65,294
30,617	*29,363*	***59,980***	VIII	Taxation based on profit for the year	***57,968***	*28,257*	*29,711*
32,348	26,391	**58,739**	IX	**Profit for the year after Taxation**	**66,032**	30,449	35,583
241	*502*	***261***	X	Exceptional items	***719***	*537*	*182*
1,771	*822*	***2,593***	XI	Outside interest in results of subsidiaries	***2,644***	*805*	*1,839*
30,818	25,067	**55,885**	XII	**Consolidated Net Profit**	**62,669**	29,107	33,562
1,324	*2,663*	***3,987***	XIII	Preferential dividends	***4,081***	*2,663*	*1,418*
29,494	22,404	**51,898**	XIV	**Profit accruing to Ordinary Capital**	**58,588**	26,444	32,144
11,937	*6,193*	***18,130***	XV	Ordinary and Deferred dividends	***19,903***	*6,703*	*13,200*
—	—	—	XVI	Fixed assets replacement reserve	**3,987**	3,000	987
17,557	16,211	**33,768**	XVII	Other profits retained	**34,698**	16,741	17,957
17,557	16,211	**33,768**	XVIII	**Profit retained in the Business**	**38,685**	19,741	18,944

Notes to Consolidated Profit & Loss Accounts

I Sales have been converted to sterling at the rates of exchange ruling at the end of each quarter.

II Costs include:

1963 N.V.	1963 LIMITED	1963 COMBINED	£000's	1964 COMBINED	1964 LIMITED	1964 N.V.
18,682	17,373	**36,055**	Depreciation	**40,651**	18,762	21,889
187	331	**518**	Emoluments of Directors as managers including contributions to pension funds for superannuation	**566**	364	202
15	46	**61**	Superannuation of former Directors	**66**	50	16

III Operating profit for the whole of each year has been converted at the respective year-end rates.

VIII Commencing with 1960 the amount set aside annually for the tax liability arising on distribution of profits of subsidiaries outside the United Kingdom and the Netherlands was based on the assumption that all the profits of the current year would be distributed. The amount of tax provided in the previous year that proved to be in excess of requirements, was deducted from the charge for the current year. In 1964 tax has been provided only on that part of the profits of foreign subsidiaries which has been or is expected to be distributed and the excess provision relating to the 1963 profits retained by subsidiaries has been released to profits retained (see Notes III and VI on Statement B).

In LIMITED taxation comprises United Kingdom taxes £20,510,000 less foreign tax relief of £2,670,000, and foreign taxes of £10,417,000. Tax relief on investment allowances: LIMITED £2,614,000 (1963: £2,347,000), N.V. £403,000 (1963: £137,000).

X Exceptional items are as follows:

1963 N.V.	1963 LIMITED	1963 COMBINED	£000's	1964 COMBINED	1964 LIMITED	1964 N.V.
1,361	381	**1,742**	Taxation adjustments—previous years	**1,602**	344	1,258
1,120	883	**2,003**	Other	**2,321**	881	1,440
241	502	**261**		**719**	537	182

Taxation adjustments arise mainly from refunds of taxes and release of provisions no longer required. 'Other' exceptional items are a balance of several items not applicable to current trading (e.g. in 1964 provision for losses due to the disturbances in the Congo) and are shown after deduction of taxation.

XIII and XV Dividends are declared gross, but LIMITED retains United Kingdom income tax at the standard rate in force on the date of payment, whereas N.V. pays its dividends gross. Dividends are as follows:

1963 N.V.	1963 LIMITED	1963 COMBINED	£000's	1964 COMBINED	1964 LIMITED	1964 N.V.
1,324	4,347	**5,671**	Preferential dividends—gross	**5,765**	4,347	1,418
—	1,684	**1,684**	United Kingdom income tax	**1,684**	1,684	—
1,324	2,663	**3,987**		**4,081**	2,663	1,418
11,937	10,111	**22,048**	Ordinary and Deferred dividends—gross	**24,434**	11,234	13,200
—	3,918	**3,918**	United Kingdom income tax	**4,531**	4,531	—
11,937	6,193	**18,130**		**19,903**	6,703	13,200

The Equalisation Agreement provides that the relationship between the ordinary capitals of LIMITED and N.V., for dividend purposes and on liquidation, shall be based on a rate of £1 = Fl 12.

XVI In view of the continuing rise during 1964 in the cost of replacement of plant, machinery and other equipment, it is proposed to set aside £3,987,000 (LIMITED £3,000,000, N.V. £987,000) of the retention of profit for the year 1964 to fixed assets replacement reserve.

Consolidated Balance Sheets

UNILEVER LIMITED AND UNILEVER N.V. AND THEIR SUBSIDIARIES

£000's *figures in italics represent deductions*

31st December, 1963				31st December, 1964		
N.V.	LIMITED	COMBINED		COMBINED	LIMITED	N.V.
			CAPITAL EMPLOYED			
24,065	56,294	**80,359**	I **Preferential Capital**–Parent Companies	**82,444**	56,294	26,150
			Ordinary Capital and Reserves			
53,347	44,937	**98,284**	II Ordinary Capital – Parent Companies	**98,284**	44,937	53,347
162,678	237,081	**399,759**	III Profits retained in the business and other reserves	**436,485**	259,352	177,133
216,025	282,018	**498,043**	**Ordinary Shareholders' Funds**	**534,769**	304,289	230,480
10,564	15,309	**25,873**	IV **Outside Interest in Subsidiaries**	**22,209**	10,859	11,350
32,646	20,670	**53,316**	V **Loan Capital**	**67,900**	21,255	46,645
24,862	39,600	**64,462**	VI **Deferred Liabilities**	**66,850**	41,100	25,750
12,408	*12,408*	—	VII Limited/N.V. Inter-Group Items	—	*15,828*	15,828
320,570	401,483	**722,053**		**774,172**	417,969	356,203
			EMPLOYMENT OF CAPITAL			
167,732	209,569	**377,301**	VIII **Land, Buildings and Plant**	**423,579**	237,946	185,633
10,700	12,493	**23,193**	IX **Trade Investments**	**25,095**	13,175	11,920
8,729	1,180	**9,909**	X **Long-Term Claims**	**11,050**	1,678	9,372
187,161	223,242	**410,403**		**459,724**	252,799	206,925
			Current Assets			
128,547	145,257	**273,804**	XI Stocks	**300,403**	158,309	142,094
67,584	78,166	**145,750**	XII Debtors	**163,325**	91,221	72,104
17,906	48,986	**66,892**	XIII Marketable and short-term securities	**53,152**	28,209	24,943
48,729	25,940	**74,669**	XIV Cash and bank balances	**70,375**	24,222	46,153
262,766	298,349	**561,115**		**587,255**	301,961	285,294
			Current Liabilities			
75,718	*60,095*	***135,813***	XV Creditors	***143,567***	*67,290*	*76,277*
23,315	*27,160*	***50,475***	XVI Bank advances	***64,850***	*35,779*	*29,071*
21,823	*27,204*	***49,027***	XVII Provision for taxation	***48,204***	*27,917*	*20,287*
8,501	*5,649*	***14,150***	XVIII Dividends	***16,186***	*5,805*	*10,381*
129,357	*120,108*	***249,465***		***272,807***	*136,791*	*136,016*
133,409	178,241	**311,650**	Net Current Assets	**314,448**	165,170	149,278
320,570	401,483	**722,053**		**774,172**	417,969	356,203

Notes to Consolidated Balance Sheets

LIMITED and N.V. are linked by a series of agreements of which the principal is the Equalisation Agreement. Inter alia this equalises the rights of the ordinary capitals of the two companies as to dividends and, on liquidation, as to capital value, on the basis of £1 nominal of LIMITED's ordinary capital being equivalent to Fl 12 of N.V.'s ordinary capital.

I and II N.V.'s consolidated balance sheet has been converted at the official parity of £1=Fl 10·136 except that N.V.'s ordinary capital has been converted at the rate of £1=Fl 12. The consequential adjustment is shown in III below.

The increase in preferential capital of N.V. is referred to in note I of statement D.

III Movements in profits retained and other reserves were:

	£000's		
	COMBINED	LIMITED	N.V.
Premiums on capital issued			
At 1st January, 1964	**6,438**	1,678	4,760
Arising on issue of preferential capital —see statement D	**387**	—	387
At 31st December, 1964	**6,825**	1,678	5,147
Adjustment on conversion of N.V.'s ordinary capital at £1=Fl 12			
At 1st January, 1964	**9,811**	—	9,811
Surplus on revaluation of fixed assets			
At 1st January, 1964	**586**	586	—
Additions	**992**	10	982
Goodwill on acquisition of new subsidiaries*	***1,578***	*596*	*982*
At 31st December, 1964	—	—	—
Profits retained in the business			
At 1st January, 1964	**382,924**	234,817	148,107
Release of future taxation (see Note VI)	**5,135**	3,650	1,485
Goodwill on acquisition of new subsidiaries*	***3,459***	*166*	*3,293*
Excess over nominal value paid on cancellation of preferential capital of subsidiaries	***1,694***	*1,694*	—
Exchange and other adjustments on consolidation	***1,742***	1,326	*3,068*
Fixed assets replacement reserve	**3,987**	3,000	987
Other profits retained	**34,698**	16,741	17,957
Profit for the year retained	**38,685**	19,741	18,944
At 31st December, 1964	**419,849**	257,674	162,175
	436,485	259,352	177,133

*In accordance with the practice established in 1953, the excess of the price paid for new interests over tangible assets acquired has been eliminated.

V Loan capital includes amounts repayable:

	£000's		
	COMBINED	LIMITED	N.V.
after 1 year but within 5 years	**23,620**	800	22,820
after 5 years but within 10 years	**8,978**	1,611	7,367
after 10 years but within 20 years	**32,683**	18,534	14,149
after 20 years	**2,619**	310	2,309
	67,900	21,255	46,645

Loan capital is secured to the extent of LIMITED £19,839,000, N.V. £4,396,000.

Notes to Consolidated Balance Sheets (continued)

VI Deferred liabilities are as follows:

1963 N.V.	1963 LIMITED	1963 COMBINED	£000's	1964 COMBINED	1964 LIMITED	1964 N.V.
9,965	25,700	**35,665**	Future taxation	**35,575**	26,400	9,175
14,897	13,900	**28,797**	Unfunded retirement benefits	**31,275**	14,700	16,575
24,862	39,600	**64,462**		**66,850**	41,100	25,750

Future taxation includes:

(1) United Kingdom income tax on the profits of 1964, (2) deferred taxation—in many countries fixed assets can be written off more rapidly for tax than is adopted for commercial purposes, so that there is an immediate saving of tax. This saving has not been taken to profits but set aside to meet the liability which will ultimately arise, (3) certain foreign taxes which are not in the nature of current liabilities, less (4) estimated future taxation relief on the provisions for unfunded retirement benefits. Excess amounts included at 31st December, 1963, mainly for taxes arising on distribution of profits of subsidiaries outside the United Kingdom and the Netherlands for the year 1963, which have not been distributed, have been released to profits retained – LIMITED £2,193,000, N.V. £1,485,000, COMBINED £3,678,000. On the basis of the proposed corporation tax in the United Kingdom, the amount set aside in earlier years for deferred taxation less relief on unfunded retirement benefits is in excess of the estimated liability at the end of 1963, and the excess—LIMITED £1,457,000—has been released to profits retained. The total amounts released are therefore LIMITED £3,650,000, N.V. £1,485,000, COMBINED £5,135,000. See Note III on Statement B.

Unfunded retirement benefits represent the estimated present value of the future liability for retirement and death benefits to past and present employees other than benefits provided through pension and provident funds.

VII Inter-group items consist of several accounts and incorporate loans of £11,500,000 by the LIMITED Group to the N.V. Group which are secured on shares of subsidiaries of N.V.

VIII Movements in land, buildings and plant were as follows:

£000's	COMBINED	LIMITED	N.V.
Cost or valuation by Directors at various dates since 1945:			
At 1st January, 1964	**616,609**	322,137	294,472
Expenditure	**64,380**	28,482	35,898
Proceeds of disposals	***7,414***	*4,396*	*3,018*
New subsidiaries	**41,897**	35,378	6,519
Adjustments on disposals, revaluations and exchange differences	***18,182***	*13,036*	*5,146*
At 31st December, 1964	**697,290**	368,565	328,725
Depreciation:			
At 1st January, 1964	**239,308**	112,568	126,740
Charged to profit and loss account	**40,651**	18,762	21,889
New subsidiaries	**12,456**	10,809	1,647
Adjustments on disposals, revaluations and exchange differences	***18,704***	*11,520*	*7,184*
At 31st December, 1964	**273,711**	130,619	143,092
Net balance sheet amounts:			
Land	**18,884**	8,380	10,504
Buildings	**179,689**	103,997	75,692
Plant and equipment	**209,590**	113,551	96,039
Ships	**15,416**	12,018	3,398
	423,579	237,946	185,633

Notes to Consolidated Balance Sheets (continued)

VIII cont. At 31st December, 1964 the amount of capital expenditure authorised by the Boards and still not spent was £59,000,000 (LIMITED £30,000,000, N.V. £29,000,000). Of this amount commitments had been entered into for £23,000,000 (LIMITED £12,000,000, N.V. £11,000,000).

IX Trade investments are mostly companies in which Unilever owns 50% or less of the ordinary share capital. The following table shows the share of the net underlying assets and profits for the latest year for which information is available:

£000's

	Book amount 31st December, 1964	Unilever share of Net Assets	Unilever share of Net Profits after tax
Europe	15,487	18,595	1,583
Africa	5,513	7,875	932
N. & S. America	2,230	2,606	334
Rest of the World	1,586	1,557	*14*
	24,816	30,633	2,835
Leverhulme Trust	279		
	25,095		

In LIMITED, trade investments are shown at net book amount at 31st December, 1947, with additions at cost or valuation, less £240,000 written off. In 1964 Thames Board Mills Ltd. has become a subsidiary and is therefore no longer shown under this heading. The interest acquired in Commercial Plastics Industries Ltd. at the beginning of 1964 has been included for the first time.
In N.V. they are shown principally at cost less a provision of £5,426,000.

X Long-term claims comprise balances which are not due for repayment within one year.

XI Stocks are consistently stated at 31st December, 1963 and 1964 on the basis of the lower of cost—mainly averaged cost—and net realisable value.

XIII Marketable and short-term securities comprise quoted, mainly dated stocks, LIMITED £14,625,000, N.V. £6,976,000 (market value, LIMITED £14,276,000, N.V. £8,176,000) and unquoted, mainly municipal and other short-term loans.

XVI In N.V., bank advances are secured to the extent of £2,498,000.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end. There are restrictions on transfer of some currencies.

There are contingent liabilities. The amounts involved are not material and no loss is expected.

In order to conform to the seasonal nature of their operations, the financial year of some subsidiaries having substantial interests in Africa ends on 30th September. With the consent of the Board of Trade the accounts of these companies have been consolidated on the basis of interim accounts at 31st December.

The net assets in the Congo are included partly on an estimated basis, and amount to LIMITED £7,135,000, N.V. £9,152,000, COMBINED £16,287,000 (1963 £16,036,000).

Report of the Auditors

LIMITED GROUP

To the Members of Unilever Limited

We have examined the accounts and notes set out on pages 32 to 37 and pages 40 and 41. Proper books of account have been kept by the company and its balance sheet set out on page 40 is in agreement with them. We have obtained all the information and explanations which we considered necessary and it is our opinion that the accounts give the information required by the Companies Act, 1948.

We are of the opinion that the balance sheet of the company gives with the consolidated accounts a true and fair view of the state of its affairs at 31st December, 1964, and the consolidated accounts give, from the standpoint of the members of Unilever Limited, a true and fair view of the state of affairs at that date of the company and its subsidiaries and of their profit for the year 1964.

LONDON

COOPER BROTHERS & CO.
PRICE WATERHOUSE & CO.

16th March, 1965

Report of the Auditors

N.V. GROUP

The following is a translation of the auditors' report on the accounts of the N.V. Group.

To the Members of Unilever N.V.

We have examined the accounts and notes set out on pages 32 to 37 and pages 42 and 43.
We have obtained all the information and explanations which we considered necessary and in our opinion the said accounts give a true and fair view of the state of affairs of the company and its subsidiaries as at 31st December, 1964, and of their profit for the year 1964.

LONDON AND THE HAGUE	PRICE WATERHOUSE & CO.
LONDON AND ROTTERDAM	COOPER BROTHERS & CO.

16th March, 1965

STATEMENT C

Balance Sheet

UNILEVER LIMITED

£000's *figures in italics represent deductions*

31st December, 1963				31st December, 1964		
			Capital Employed	Authorised	Issued and fully paid	
		I	**Preferential Capital**			
	35,985		7% Cumulative Preference } Ranking	35,985	35,985	
	2,360		5% Cumulative Preference } pari passu	4,015	2,360	
	15,662		8% Cumulative A Preference	40,000	15,662	
	2,287		20% Cumulative Preferred Ordinary	2,287	2,287	
56,294				82,287		**56,294**
		II	**Ordinary and Deferred Capital and Reserves**			
	44,937		Ordinary Capital	59,031	44,937	
	100		Deferred Capital	100	100	
	45,037			59,131	45,037	
	1,678		Premiums on capital issued		1,678	
	111,907		Profits retained in the business		115,640	
158,622						**162,355**
		III	**Loan Capital**			
	7,672		3¾% Debenture Stock, 1955/75 } Ranking		7,503	
	11,223		4% Debenture Stock, 1960/80 } pari passu		11,002	
18,895						**18,505**
2,251		IV	**Deferred Liabilities**			**2,839**
236,062						**239,993**
13,553		V	Indebtedness of N.V. Group			***13,580***
222,509						**226,413**
			Employment of Capital			
		VI	**Fixed Assets**			
	8,730		Land, buildings and plant		10,903	
	5,607		Trade investments		5,994	
14,337						**16,897**
		VII	**Interests in Subsidiaries**			
	81,264		Shares		109,478	
	130,195		Advances		128,247	
	211,459				237,725	
	53,829		Less: Deposits		*57,764*	
157,630						**179,961**
		VIII	**Current Assets**			
	3,323		Debtors		4,051	
	44,830		Marketable and short-term securities		20,658	
	11,827		Cash and bank balances		15,065	
	59,980				39,774	
		IX	**Current Liabilities**			
	2,077		Creditors		*2,345*	
	2,046		Provision for taxation		*2,363*	
	5,315		Dividends (net) due or proposed		*5,511*	
	9,438				*10,219*	
50,542						**29,555**
222,509						**226,413**

GEORGE COLE *Chairman*

F. J. TEMPEL *Vice-Chairman*

Notes to Balance Sheet of Unilever Limited

II £50,000 deferred stock is held by a subsidiary of LIMITED and £50,000 by a subsidiary of N.V. A nominal dividend of £250 was paid on this stock.

The movements in profits retained in the business during 1964 were:

		£000's
Balance at 1st January		111,907
Profit for the year	13,099	
Preferential dividends	*2,663*	
Ordinary and Deferred dividends	*6,703*	
Fixed assets replacement reserve (on behalf of subsidiaries)		3,000
Other profits retained		733
Profit for the year retained		3,733
Balance at 31st December		115,640

III The two issues of debenture stock are secured by a floating charge on the assets of the company. During the year £169,000 of $3\frac{3}{4}$% debenture stock 1955/75 and £221,000 of 4% debenture stock 1960/80 were purchased by the company.

IV Deferred liabilities are as follows:

1963 £000's		1964 £000's
2,251	Future taxation	1,851
—	Unfunded retirement benefits	988
2,251		2,839

V This includes a loan of £11,000,000 secured on the shares of subsidiaries of N.V.

VI Land, buildings and plant:

1963 £000's		1964 £000's
10,700	At valuation 1st January, 1953, with additions at cost	13,466
1,970	Depreciation	*2,563*
8,730		10,903

Trade investments are shown at net book amount at 31st December, 1947, with additions at cost or valuation.

VII Shares in subsidiaries are stated at Directors' valuation made on the re-arrangement of the Unilever Groups in 1937, with bonus shares at par and other additions at cost or valuation less amounts written off. The movement during the year arises mainly from the acquisition of the remaining shares of Thames Board Mills, Ltd. and the cost of cancellation of preferential capital of Joseph Crosfield & Sons, Ltd., John Knight, Ltd. and William Gossage and Sons, Ltd.

VIII Marketable and short-term securities comprise short-dated government and municipal stocks £10,943,000 (market value £10,831,000), and short-term municipal loans £9,715,000.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end.

There are contingent liabilities, upon which no loss is expected.

The estimated commitments for capital expenditure at 31st December, 1964 were £968,000.

STATEMENT D

Balance Sheet

UNILEVER N.V. (TRANSLATION)

Fl 000's *figures in italics represent deductions*

Capital Employed

31st December, 1963						31st December, 1964
				Authorised	*Issued and fully paid*	
		I	**Preferential Capital**			
	29,000		7% Cumulative Preference — *Ranking pari passu*	30,000	29,000	
	139,924		6% Cumulative Preference — *Ranking pari passu*	200,000	161,060	
	75,000		4% Redeemable Cumulative Preference — *Ranking pari passu*	75,000	75,000	
243,924				305,000		265,060
		II	**Ordinary Capital and Reserves**			
	642,565		Ordinary Capital	1,002,400	642,565	
	48,248		Premiums on capital issued		52,166	
	301,932		Profits retained in the business		316,198	
992,745						1,010,929
21,840		III	Indebtedness to LIMITED Group			21,874
1,258,509						1,297,863

Employment of Capital

31st December, 1963					31st December, 1964
		IV	**Interests in Subsidiaries**		
	260,375		Shares at cost	260,375	
	981,321		Advances	1,019,771	
	1,241,696			1,280,146	
	161,312		Less: Deposits	*117,948*	
1,080,384					1,162,198
		V	**Current Assets**		
	13,999		Debtors and payments in advance	13,183	
	40,871		Marketable and short-term securities	72,873	
	237,544		Cash and bank balances	162,548	
	292,414			248,604	
		VI	**Current Liabilities and Provisions**		
	28,387		Creditors	*8,015*	
	1,409		Provision for taxation	*1,409*	
	84,493		Dividends, due or proposed	*103,515*	
	114,289			*112,939*	
178,125					135,665
1,258,509					1,297,863

F. J. TEMPEL *Chairman*
GEORGE COLE *Vice-Chairman*

Notes to Balance Sheet of Unilever N.V.

I Fl 21,136,000 of 6% cumulative preference capital was issued in respect of the acquisition of the share capital of Zeepfabriek 'De Fenix' N.V. and the entire share capital of a company in which Fenix had an interest.
The 4% redeemable cumulative preference capital is redeemable at par at the company's option either wholly or in part.

II Fl 1,200,000 of ordinary capital is held by a subsidiary of N.V. and Fl 1,200,000 by a subsidiary of LIMITED, who have waived their rights to the dividends for 1964.

The movements in premiums on capital issued during 1964 were:

	Fl 000's
Balance at 1st January	48,248
Arising on issue of preferential capital	3,918
Balance at 31st December	52,166

The profit and loss account of N.V. for 1964 is as follows:

		Fl 000's
Income from subsidiaries	154,941	
Interest	9,293	
Sundries	1,541	
		165,775
Deduct: general expenses		3,338
Profit for the year		162,437

The movements in profits retained in the business during 1964 were:

		Fl 000's
Balance at 1st January		301,932
Profit for the year	162,437	
Preferential dividends	*14,377*	
Ordinary dividends	*133,794*	
Fixed assets replacement reserve (on behalf of subsidiaries)		10,000
Other profits retained		4,266
Profit for the year retained		14,266
Balance at 31st December		316,198

V Debtors and payments in advance (Fl 1,073,000) have been shown after provision for doubtful debts.

Marketable and short-term securities are short-term deposits mainly with financial institutions.

GENERAL

Foreign currencies have been converted at the appropriate official parities or other current rates of exchange at the year end.
There are contingent liabilities, upon which no loss is expected.

Combined Earnings and Dividends Per Share*

1964 above 1963	United Kingdom s. d.	Netherlands Guilders	Belgium Francs	France Francs	Germany Marks	Switzerland Francs	U.S.A. Dollars
Per £ or Fl 12 of capital							
Earnings	**11 11·07**	**6·04**	**83·46**	**8·24**	**6·68**	**7·30**	**1·67**
	10 6·73	5·35	73·93	7·30	5·91	6·46	1·48
Dividends—gross	**5 0**	**2·52**	**34·64**	**3·44**	**2·76**	**3·04**	**·68**
	4 6	2·28	31·32	3·12	2·52	2·76	·64
Per 5s. of capital							
Earnings	**2 11·77**	**1·51**	**20·86**	**2·06**	**1·67**	**1·82**	**·42**
	2 7·68	1·34	18·48	1·82	1·48	1·61	·37
Dividends—gross	**1 3**	**·63**	**8·66**	**·86**	**·69**	**·76**	**·17**
	1 1·50	·57	7·83	·78	·63	·69	·16

**The figure of earnings per share should not be considered as more than a guide for comparing the combined profits from year to year, and should not be taken as the amount that would be paid to the ordinary shareholders if all the profits for the year were distributed as dividend. Reference is made to the booklet Equalisation Agreement and Earnings per Share which is available on request*

Salient Figures in Other Currencies

Million 1964 above 1963	Netherlands Guilders	Belgium Francs	France Francs	Germany Marks	Switzerland Francs	U.S.A. Dollars
Turnover	**21,749**	**300,395**	**29,653**	**24,032**	**26,263**	**6,008**
	19,678	271,792	26,830	21,743	23,762	5,436
of which **Sales to third parties**	**17,115**	**236,390**	**23,335**	**18,911**	**20,667**	**4,728**
	15,557	214,869	21,211	17,190	18,786	4,297
Profit before taxation	**1,257**	**17,360**	**1,714**	**1,389**	**1,518**	**347**
	1,203	16,621	1,641	1,330	1,453	332
Taxation for the year	**588**	**8,116**	**801**	**649**	**710**	**162**
	608	8,397	829	672	734	168
Exceptional items	***7***	***101***	***10***	***8***	***9***	***2***
	3	*37*	*4*	*3*	*3*	*1*
Consolidated net profit	**635**	**8,774**	**866**	**702**	**767**	**175**
	566	7,824	772	626	684	156
Ordinary dividends	**202**	**2,786**	**275**	**223**	**244**	**56**
	184	2,538	250	203	222	51
Profit retained in the business	**392**	**5,416**	**535**	**433**	**474**	**108**
	342	4,728	467	378	413	94
Capital employed	**7,847**	**108,384**	**10,699**	**8,671**	**9,476**	**2,168**
	7,319	101,094	9,979	8,088	8,839	2,022
Expenditure on fixed assets (gross)	**653**	**9,013**	**890**	**721**	**788**	**180**
	614	8,487	838	679	742	170
Depreciation	**412**	**5,691**	**562**	**455**	**498**	**114**
	365	5,048	498	404	441	101

The figures shown above have been converted at the official parity rate for the country concerned

PROGRESS

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